

Comments Received May 6-26, 2006

Comment:

Comment from Susan Williams, PRG Development, School of Mortgage Lending submitted by CC 050806:

I am writing to express my concern at some comments made by you at the last meeting, and hoping that I may have misinterpreted your meaning. I understood you to say that the education process will be managed by associations such as WAMB and/or APMW.

The state of Washington taking this position is extremely risky to the new loan officer, and indirectly, to the consumer, for a variety of reasons. As owner of the School of Mortgage Lending, I have direct experience with several states that have set up such a program and I hope you will permit me to articulate my experiences.

There are two primary areas of concern: by taking this position, the state creates the effect of a monopoly in that the association, typically made up of volunteers, has no motivation to allow private schools access to the market, and as with any monopoly, the end user is hurt since they will pay more for an inferior product.

As an example of the difficulty in getting past the association approval process, please note these experiences:

NV. I have attempted for two years to get past the association requirement in this state. Neither the mortgage broker or mortgage banker associations will speak to me about it. In fact, one of the directors of the mortgage bankers association has set up his own training company and the current president told me I could contact him, but he was sure nothing would come of it. The state APMW initially agreed to review our materials, and after sending several sets of books to the education chair, along with a proposal, they took several weeks to tell me they did not wish to offer the courses since they already had that material covered. In addition, they wanted to have authentication and timing features added to our distance learning courses. This year we do have this technology but I cannot get a return phone call. As stated before, there is no motivation for the association to pursue what is considered 'more work' for a volunteer group.

MS. About 3-4 years ago, I went through incredible hoops to get course material approved in Mississippi, including submitting full courses, learning objectives, quiz and answer keys for several people; writing a full proposal and many conversations on the phone. In the end, they advised me that I would have to get approved by the National Association of Mortgage Brokers. Prior to my dialogue with Mississippi, I had been in discussions with the national association, to no avail. No decision was ever made, in spite of numerous course submissions; supplementary materials, proposals, etc.

AL. I have been unable to get a return call from the AL association of mortgage brokers or bankers.

LA. I have been unable to get a return call from the LA associations.

OR. While Oregon does not specifically restrict providers from submitting course materials to the board, their pricing is extremely prohibitive, in effect excluding certain providers, and with no refund if the course is denied. This not only restricts the number of providers in the market, it also restricts the number of courses that are submitted for approval.

I would like to make some suggestions of how Washington might address the challenges the department is certainly facing.

1. There are several providers of pre-license tests such as Promissor, who have facilities around the country and who can administer the tests at a very reasonable fee. I know of several states that use them; I also know there are some other test providers.
2. DFI could request that associations and educational providers submit questions for the exam, and DFI or a committee can pick their exam questions out of the number submitted. This exam could be provided to a professional testing firm who would then administer the exam.
3. DFI does not need to re-write rules for education approval standards. There are number of states that have already done so, with California being most rigorous. I would be happy to create a report for the systems used by a variety of states. Typically, a state will want to see the materials themselves; i.e, textbook or handouts; a learning objective time line; and quizzes and answer keys. In addition, they will want the resume of the instructor; policies and procedures, and advertising materials. This puts the onus on the provider to demonstrate that they have both the expertise and the professional procedures to offer education, rather than relying exclusively on volunteer organizations that have a completely different mission.

At this time, the School of Mortgage Lending has courses approved in 12 states, and in some cases we have anywhere from 1 to 15 courses approved. Many states (though certainly not all) charge the education provider a fee in the range of \$250-\$500 per course approval. (This is in comparison with Oregon, the one state that charges a prohibitive \$2000 for one course) I have found working with regulators on the approval process to be a very professional and effective system for education providers and certainly gives the new loan officer many options of both price and delivery system; i.e., whether it is classroom or distance learning; proctored or on the honor system.

I think we all agree that the desired result of this change in the law is a pool of well-trained and ethical loan officers whose professional competence guarantees the best service for consumers. Creating opportunities for all educational providers to compete on price; quality of education; and effectiveness of their methodology is the way to get there.

Comment:

Fact: The Mortgage Broker Commission is heavily populated with WAMB members.

Q: How will sub-committee members advise the Director on standards for the creation of any new non-profit association wishing to offer education without favoring WAMB?

Q: What are the legal and ethical duties of DFI to be certain that there is no conflict of interest in creating a rule awarding educational oversight that would heavily favor WAMB?

The statement "Well, WAMB members pledge to put their interests aside while serving on the commission" does not address our concerns.

Comment:

We do contract processing and have worked with numerous Mortgage Brokers and Loan Officers that don't know what PFC costs are, how to calculate an APR and don't disclose their yield spread premium among other things. It's really scary. They are book smart and can pass the test but don't know how to complete a GFE or a TIL or even what disclosures are required and when they have to provide the disclosures to the borrowers.

I would like to suggest that maybe have the test include a GFE and a TIL that they need to complete. Give them a rate sheet, give them a loan amount and sales price and have them complete the forms. Also have them tell you what are the required state and RESPA disclosures that are to be provided to the borrower. Also include questions about when re-disclosure is required.

I think you would be surprised at what you will see.

I was at this last DFI meeting and heard that the test will not be complete by January 1 2007 and that you are going to just issue licenses and test later. Again I think this is just asking for more complaints.

I appreciate your time and I do compliment you for the job you are doing.

Comment:

Could you please verify the current requirements for continuing education hours for mortgage brokers/owners, as well as upcoming continuing education hours for loan originators? Also, is there any information about upcoming exam requirements for loan originators? Is there an "exam content outline" available or a list of possible questions that could be on the mortgage lending exam? Or any other items that would help us understand what content the State wants the lenders to know?

We are in the process of gathering information to become an educational provider for WA mortgage lending

Comment:

1. BPI Consulting Group, Inc. of Seattle, Washington, has been successfully offering education and ethics training for mortgage brokers and loan originators for several years. Our lead mortgage trainer, Mr. Gordon Schlicke, was the keynote speaker for WAMB last fall, and the rest of our staff brings the highest possible reputation, credentials, and abilities to the industry.

2. We are concerned about the standards of practice of brokers and originators in the industry and want the opportunity to continue bringing our educational and ethics services to the professionals that we currently serve. We have heard that you might take away the right of all for-profit companies such as ours to continue offering quality services independently and give this right solely to non-profit associations. We asked you if we could also form a non-profit and get the same opportunity as WAMB and NAPMW and you made comments implying that this is up for discussion with the mortgage broker commission, yet the mortgage broker commission is made up of a majority of WAMB members. You have not explained how their divided loyalties would protect our rights to continue doing business in Washington. Further, we are wondering why DFI would want to create a monopoly in violation of the Sherman Antitrust Act, preventing the kind of free competition that would increase the quality of education and training. We are also wondering why DFI would take away our livelihood without adequate due process and with no good reason.

3. BPI and other independent companies have been offering formal, state-approved, educational services to the industry much longer than WAMB or NAPMW, and our reputation for quality is much higher. We also do this for a living. We have poured our lifeblood into this company and are very concerned that you might shut us down for no good reason. WAMB, NAPMW, and other non-profits offer independent trainers only a nominal amount for teaching. We know this because some of us used to teach for them. In contrast, non-profit member trainers are often employees with full-time jobs who volunteer their training services. Volunteers teach for free for a nominal amount because they want to sell products or services to class participants. We do not sell anything except top notch education and consulting services that serve our industry.

4. Further, we have an applied, professional ethics division in our company. We write codes of ethics and we review them. We consult and train on them. We are more than willing to be hired to train loan originators and to continue to train brokers. We believe that it is in your best interest and in the best interest of the industry and consumers to create clearly defined standards of practice and to implement regular ethics requirements and training. Research clearly shows the value of a professional code of ethics. WAMB and NAPMW currently have a voluntary "code of ethics." Unfortunately, these codes are very short and vague, and have no mandatory obligation attached. They are worthless.

5. We would like the opportunity to write a mandatory model code of ethics for the lending industry and to do training, education, and consulting regarding the same. We would also like to continue to offer current classes and to offer new ones.

6. We can help you with your objectives to protect consumers. We are more than willing to jump through any legal and administrative hoops to do this. Please do not freeze us out. Not giving us

a clear statement about how we can proceed is unjust, and in the end will derail our small company.

7. We do not mean any disrespect to you or to your office, but all communications by you, taken together, indicate that you might be planning, more or less, to destroy the livelihood of our company, without any substantive due process or any fair procedural due process. We are putting you on friendly notice today that we will pursue ALL legal means to secure our property rights under the Constitution of the State of Washington and the Constitution of the U.S.

8. If it is DFI's intention to award all education oversight to non-profits, justice will be served only if you and your office clearly and publicly state that DFI will permit the formation of NEW non-profit associations. Current membership numbers as of this date for WAMB are 443 professional members, which includes brokers and loan originators, with a total state membership of 675.

Current membership as of this date for NAPMW for Washington State is 288. These two non-profits are currently actively recruiting members. There is clearly room for a new non-profit association with the highest of ethical standards to step up and serve the mortgage lending industry, but without a clear and timely statement from DFI, we are out of business.

Please call our company President to discuss how we can help DFI achieve its goals.

- - - - - same person continued . . .

Thank you! I have received warm, supportive feedback from several people in response to my email. I love everyone at DFI-you guys are great to work with (I also work very well with the folks over at DOL) and I want to keep doing what I do best: Helping people grow. If I have to open a non-profit, well, I can play in that ballgame. See you on June 1,
